

PUBLIC DISCLOSURE

June 14, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

CENTRAL CO-OPERATIVE BANK

26646

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NOTE:	This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.
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GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") and the Federal Deposit Insurance Corporation ("FDIC") to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting its needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Central Co-operative Bank ("Central Bank" or the "Bank")**, prepared by the Division and FDIC, the institution's supervisory agencies. The agencies evaluate performance in the assessment area, as defined by the institution, rather than individual branches. The Division and FDIC rate the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00 and Part 345 of the FDIC's Rules and Regulations.

INSTITUTION'S CRA RATING:

This institution is rated "Satisfactory" by the FDIC.

This institution is rated "High Satisfactory" by the Division.

The Lending Test is rated "Satisfactory" by the FDIC.

The Lending Test is rated "High Satisfactory" by the Division.

The Community Development Test is rated "Satisfactory" by the FDIC.

The Community Development Test is rated "High Satisfactory" by Division.

This evaluation assessed Central Bank's performance utilizing the "Intermediate Small Bank" ("ISB") procedures, which includes a Lending Test and a Community Development Test. The Bank's performance under each of these tests is summarized as follows:

Lending Test

Loan-to-Deposit Ratio – The Bank's loan-to-deposit ("LTD") ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs. Central Bank's average quarterly net LTD ratio was 128.8 percent during the review period.

Assessment Area Concentration – Overall, the Bank originated 61.9 percent of its loans inside the assessment area. The Bank originated 60.6 percent of its residential loans and 78.8 percent of its small business loans inside the area.

Borrower Characteristics – The distribution of loans to borrowers of different incomes and businesses of different sizes reflects, given the demographics of the assessment area, an excellent penetration. Central Bank did a good job of lending to low- and moderate-income borrowers. The Bank significantly exceeded the aggregate performance, by number of loans, to low-income borrowers in both 2008 and 2009. The institution also offers several flexible loan programs that aim to assist the area's low- and moderate-income population.

Geographic Distribution – Overall, the geographic distribution of home mortgage and small business loans reflects reasonable dispersion throughout the assessment area. The Bank outperformed the aggregate market in moderate-income census tracts in 2008. However, the Bank did not make any home mortgage or small business loans in the assessment area's low-income tracts in 2009.

Response to CRA Complaints – The Bank did not receive any CRA-related complaints during the evaluation period.

Community Development Test

The overall level of community development activities, including loans, investments, and services, reflects an adequate responsiveness to the community development needs of the assessment area.

Community Development Lending – The Bank received \$4.5 million in community development loan credit for its pro-rata share of activity from the Boston Community Loan Fund.

Community Development Investments – Qualified investments for this evaluation period totaled \$2.6 million, and consisted of one new equity investment, an existing equity investment, and qualified donations/grants.

Community Development Services – The Bank provided an excellent level of community development services throughout its assessment area by participating in many qualified community development organizations. The Bank's involvement resulted in a better-educated community (financial literacy), increased awareness of community needs, and the revitalization of certain sections of the assessment area.

SCOPE OF EXAMINATION

This evaluation was conducted jointly between the Division and the FDIC. The agencies assessed the Bank's CRA performance utilizing ISB CRA evaluation procedures, which include a Lending Test and a Community Development Test. The Lending Test includes the following criteria: (1) the Bank's average LTD ratio; (2) the percentage of loans in the Bank's assessment area; (3) the Bank's record of lending to borrowers of different income levels and businesses of different sizes; (4) the geographic distribution of the Bank's loans; and (5) the Bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area.

The evaluation considered the institution's home mortgage and small business lending. These products represent the Bank's primary lending focus as confirmed by discussions with management and a review of loan portfolio concentration as reported in the Bank's most recent Report of Condition and Income ("Call Report"), dated March 31, 2010. The Call Report indicated residential real estate lending comprised 68.2 percent of the Bank's loan portfolio, the majority of which were secured by 1-4 family properties. Commercial loans secured by nonfarm nonresidential properties represented 30.2 percent of the portfolio. The evaluation assigned greater weight to the analysis of home mortgage loans based on the composition of the Bank's loan portfolio, as well as the volume of home mortgage versus small business loans originated over the review period.

The Bank reports its home mortgage loan information in accordance with the Home Mortgage Disclosure Act ("HMDA"). The evaluation considered all HMDA-reported originations from 2008 and 2009. The institution reported 139 loans, totaling approximately \$58 million in 2008, and 313 loans, totaling almost \$137 million in 2009. The Bank's home mortgage lending was compared against certain demographic data, as well as 2008 aggregate lending data. Aggregate data includes all home mortgage loans originated by other financial institutions, subject to HMDA, in the assessment area. The evaluation focused on the Bank's lending performance in 2008, as aggregate data for 2009 was not yet available.

Given its asset size, the Bank is not required to collect and report small business loans; however, management collected this data for use in the evaluation. The Bank originated 20 small business loans totaling \$6 million in 2008, and 13 small business loans totaling \$2 million in 2009. Since the Bank is not required to report its small business loans, a comparison to the aggregate was not performed. Instead, the small business lending was compared to certain business demographic data in the assessment area.

The Bank did not engage in small farm lending during the evaluation period. Additionally, consumer lending was minimal and the Bank did not request a review of its consumer loans. As such, neither product line was included during the evaluation.

Although the total dollar amount of loans extended within the assessment area is presented in some tables, emphasis is placed on the number, rather than the dollar volume of loan originations, as the number of loans gives a more accurate depiction of the number of individuals and small businesses actually served.

The Community Development Test includes the following criteria: (1) the number and dollar amount of community development loans; (2) the number and dollar amount of qualified investments; (3) the extent to which the Bank provides community development services; and (4) the Bank's responsiveness through such activities in meeting community development lending, investment, and service needs. The Community Development Test includes all community development activities in which the Bank was involved from May 3, 2007, the date of the prior evaluation, to June 14, 2010.

Demographic information referenced in this evaluation was obtained from the 2000 United States (U.S.) Census unless otherwise noted. Financial data about the Bank was obtained from the March 31, 2010 Call Report.

PERFORMANCE CONTEXT

DESCRIPTION OF INSTITUTION

Central Bank is a Massachusetts state-chartered co-operative bank. The Bank is a subsidiary of the Central Bancorp, Inc., a one-bank holding company. The Bank provides a variety of deposit and lending services, including savings and checking accounts for retail and business customers; mortgage loans for residential and commercial properties; and loans for education, home improvement, and other purposes.

The Bank operates nine full-service offices in the Massachusetts communities of Somerville, Arlington, Burlington, Chestnut Hill, Malden, Medford, Melrose, and Woburn (two branches). The majority of the Bank's branches are located in middle-income census tracts. The Chestnut Hill location is located in an upper-income tract. Three branches (Malden, Medford and Woburn-Main Street) are located in moderate-income tracts. The Bank also operates a limited service branch at Woburn High School for faculty and students. In addition, the Bank maintains a stand alone 24-hour automated teller machine on Highland Avenue in Somerville.

According to the Bank's March 31, 2010 Call Report, the Bank's assets totaled \$542.1 million. Total assets decreased from \$565.0 million, by 4.1 percent, since the prior CRA evaluation. The loan portfolio increased marginally from \$461.1 million to \$461.5 million during the same period.

As shown in Table 1, the Bank's loans total \$461.9 million, or 85.2 percent of total assets. Loans secured by 1-4 family residential properties account for the largest portion of the Bank's loan portfolio at 49.0 percent. These loans include closed-end mortgage loans (including junior liens) as well as revolving home equity lines of credit. Commercial real estate loans account for the next highest portion of the portfolio at 30.1 percent. Commercial real estate loans are typically collateralized by properties used for the borrowers' businesses, such as small office buildings, warehouses, and retail facilities, while commercial and industrial loans, accounting for 0.9 percent of the portfolio, are used to finance business equipment, retail fixtures, and inventories. Loans secured by multi-family (5 or more) residential properties comprise 19.2 percent of the portfolio. The remainder of the Bank's loan portfolio is made up of construction and land development loans, as well as various types of consumer loans.

The Bank also sells residential mortgages on the secondary market. During the time period under review, the Bank sold 252 loans totaling \$64 million.

Table 1 – Loan Portfolio as of March 31, 2010		
Loan Type	Dollar Amount (000's)	Percent of Total Loans
Construction	2,722	0.6
1-4 Family Residential	226,262	49.0
Multi-Family (5 or more) Residential	88,530	19.2
Commercial Real Estate	139,407	30.1
Loans Secured by Real Estate	456,921	98.9
Commercial and Industrial	4,037	0.9
Consumer and Other	943	0.2
Total Loans	461,901	100.0

Source: March 31, 2010 Call Report

The Bank's CRA performance was previously evaluated in a joint examination by the Division and the FDIC on May 3, 2007. The examination resulted in a rating of "High Satisfactory" by the Division and "Satisfactory" by the FDIC.

There are no significant financial or legal impediments that would limit the Bank's ability to help meet the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires a financial institution to define one or more assessment areas within which its record of helping to meet credit needs is evaluated. Generally, an assessment area should consist of Metropolitan Statistical Areas ("MSAs"), Metropolitan Divisions ("MDs"), or contiguous political subdivisions, such as counties, cities, or towns. Further, an assessment area should consist of geographies (Census tracts) in which the bank has its main office, its branches, and any deposit-taking remote service facilities, as well as geographies in which the bank originated or purchased a substantial portion of its loans. A bank's assessment area must consist of whole geographies; may not reflect discriminatory practices; may not arbitrarily exclude low- or moderate-income geographies (taking into account the bank's size and financial condition); and may not extend substantially beyond an MSA boundary or beyond a state boundary, with certain exceptions.

Geographies

Central Bank's assessment area consists of the cities and towns of Arlington, Belmont, Billerica, Brookline, Burlington, Cambridge, Chelsea, Everett, Lexington, Malden, Medford, Melrose, Newton, Revere, Saugus, Somerville, Stoneham, Watertown, Wilmington, Winchester, and Woburn, Massachusetts (MA). Additionally, the Bank identified the Boston neighborhoods of Allston and Brighton as part of its assessment area. Chelsea, Revere, Allston, and Brighton are located in Suffolk County and are within the Boston-Quincy, MA MD (#14484). Brookline, which is in Norfolk County, is also within the Boston-Quincy, MA MD. Saugus is located within Essex County and the Peabody, MA MD (#37764), and the remaining municipalities are located in Middlesex County and are within the Cambridge-Newton-Framingham, MA MD (#15764). All of these areas are part of the larger Boston-Cambridge-Quincy, MA-NH MSA / Core Based Statistical Area (#14460).

Census Tract Income Levels

Each census tract is assigned an income level based on the median family income ("MFI") of the tract as compared to the MFI established for the MSA or MD in which the tract is located. The four income levels are defined as follows:

Low-income:	Less than 50% of MFI
Moderate-income:	At least 50% but less than 80% of MFI
Middle-income:	At least 80% but less than 120% of MFI
Upper-income:	Equal to or greater than 120% of MFI

The assessment area consists of 199 census tracts, with 6 low-, 58 moderate-, 92 middle-, and 43 upper-income census tracts. Of the 6 low-income tracts, 3 are located in Cambridge, 2 in Chelsea, and 1 in Allston-Brighton. Of the 58 moderate-income tracts, 11 are in Somerville; 10 are in Cambridge; 8 are in Allston-Brighton; 6 are in Everett, 6 are in Malden, and 6 are in Revere; 5 are in Medford; 3 are in Chelsea; 2 are in Woburn; and 1 is in Watertown. The assessment area has not changed since the previous CRA evaluation.

Median Family Income Levels

The home mortgage lending portion of the *Borrower Characteristics* section of the Lending Test is based on the distribution of home mortgage loans to borrowers of different incomes, especially to those of low- and moderate-income. Income levels are broken down into the same four categories as described above (low-, moderate-, middle-, and upper-); however, this analysis is based on the annual HUD-adjusted MFIs for each applicable MSA/MD. The MFI figures are based on 2000 U.S. Census data and have been annually adjusted for inflation and other economic events. Table 2 illustrates the 2008 and 2009 MFI information, as estimated by HUD, for the MD's in which the institution has designated as its assessment area.

Table 2 – MFI of MD's within Boston-Cambridge-Quincy MSA		
Metropolitan Division	Median Family Income	
	2008	2009
Cambridge-Newton-Framingham, MA MD #15764	\$93,000	\$97,100
Boston-Quincy, MA MD #14484	\$79,500	\$83,900
Peabody, MA MD #37764	\$78,800	\$83,600

Source: FFIEC

According to 2000 U.S. Census data, the total population of the assessment area is 968,565. The assessment area contains 223,991 families. Of these, 50,731 (22.7 percent) are low-income, 41,159 (18.4 percent) are moderate-income, 49,795 (22.2 percent) are middle-income, and 82,306 (36.7 percent) are upper-income families. Those with income below the poverty level, a sub-set of low-income families, represent 5.9 percent of total families.

Providing further insight into the demographic composition of the assessment area population is the stratification of families by income level of Census tract. Only 2.0 percent of assessment area families reside in low-income census tracts, whereas 29.7 percent reside in moderate-, 47.0 percent in middle-, and 21.3 percent in upper-income tracts. A fair percentage of families who reside in low- and moderate-income census tracts within the assessment area (29.3 percent and 10.4 percent, respectively) have incomes below the poverty level.

Housing

According to 2000 U.S. Census data, the assessment area contains 399,735 housing units. Total housing units are comprised of 49.8 percent owner-occupied units, 47.5 percent rental units, and 2.7 percent vacant units. The median age of housing stock is 49 years. The median housing value is \$296,407. The median monthly gross rent is \$928.

Table 3 illustrates certain housing characteristics within the Bank's designated assessment area based on 2000 U.S. Census Data.

Table 3 – Selected Housing Characteristics by Income Category of the Geography								
Income Level of Census Tract	Percentage					Median		
	Households	Housing Units	Owner-Occupied	Rental Units	Vacant Units	Age	Home Value	Gross Rent
Low	2.1	2.1	0.7	3.6	2.1	52	\$214,053	\$764
Moderate	32.5	32.5	21.9	43.5	32.9	54	\$201,812	\$822
Middle	45.4	45.3	52.0	38.5	43.5	45	\$241,212	\$948
Upper	20.0	20.1	25.4	14.4	21.5	54	\$460,822	\$1,232
Total or Median	100.0	100.0	100.0	100.0	100.0	49	\$296,407	\$928

Source: 2000 U.S. Census Data

There are 8,344 total housing units located in the assessment area's low-income census tracts. Of these units, 1,286 (15.4 percent) are owner-occupied, 6,827 (81.8 percent) are rental, and 231 (2.8 percent) are vacant. As indicated in Table 3, the 1,286 owner-occupied units located in low-income tracts represent only 0.7 percent of owner-occupied units in the assessment area. The low number of owner-occupied housing units in the assessment area's low-income tracts would presumably limit the Bank's ability to make home mortgages in these areas.

Of the 129,911 assessment area housing units located in moderate-income census tracts, 43,657 (33.6 percent) are owner-occupied, 82,624 (63.6 percent) are rental, and 3,630 (2.8 percent) are vacant. Table 3 reveals that the 43,657 owner-occupied units located in moderate-income tracts represent 21.9 percent of owner-occupied units in the assessment area. This percentage indicates that while lending opportunities exist in moderate-income tracts, the percentage of rental units in these tracts is relatively high.

2000 U.S. Census data indicates a range of median home values between \$201,812 in moderate-income geographies and \$460,822 in upper-income geographies of the assessment area. The median home value of the area's low-income Census tracts is slightly higher than that of the area's moderate-income tracts. However, more recent housing data reflects a substantially wider range of home values. Table 4 summarizes median sales prices for the cities and towns located within the designated assessment area in 2008 and 2009.

Table 4 – Median Residential Sales Price					
Town/City	2008	2009	Town/City	2008	2009
Arlington	\$431,888	\$426,500	Melrose	\$373,900	\$355,000
Belmont	\$600,000	\$574,000	Newton	\$627,025	\$615,000
Billerica	\$300,000	\$297,750	Revere	\$249,900	\$220,000
Brookline	\$522,500	\$525,000	Saugus	\$298,944	\$275,000
Burlington	\$373,500	\$375,000	Somerville	\$380,000	\$381,000
Cambridge	\$435,000	\$432,500	Stoneham	\$346,426	\$315,000
Chelsea	\$200,000	\$197,500	Watertown	\$371,000	\$361,600
Everett	\$265,000	\$240,000	Wilmington	\$347,560	\$336,250
Lexington	\$665,000	\$605,000	Winchester	\$636,000	\$600,000
Malden	\$290,000	\$258,500	Woburn	\$317,500	\$310,000
Medford	\$345,000	\$325,000	Median of All	\$371,000	\$355,000

Source: The Warren Group

The Warren Group data indicates a range of median sales prices between \$197,500 and \$665,000 in 2008 and 2009. As shown in Table 4, housing prices decreased from 2008 to 2009 in almost all of the assessment area municipalities. The downward trend of home values in the assessment area during the review period is consistent with home values statewide. Nonetheless, the relatively high median sales price in most assessment area municipalities indicates the need for affordable housing opportunities.

Central Bank operates in a highly competitive market in terms of home mortgage financing. Aggregate data for 2008 (the most recent data available) indicates the Bank ranked 61st out of 453 lenders that originated at least one residential mortgage loan in the Bank's assessment area, reflecting a market share of 0.3 percent.

Unemployment

Table 5 illustrates the unemployment rate in each municipality within the assessment area for 2008 and 2009.

Table 5 – Unemployment Rates					
Town/City	2008	2009	Town/City	2008	2009
Arlington	3.7%	6.3%	Melrose	4.2%	7.2%
Belmont	3.5%	5.9%	Newton	3.5%	5.8%
Billerica	4.8%	8.2%	Revere	5.5%	8.4%
Brookline	3.1%	5.4%	Saugus	5.2%	8.6%
Burlington	4.0%	6.8%	Somerville	3.8%	6.3%
Cambridge	3.5%	5.6%	Stoneham	4.7%	7.6%
Chelsea	6.1%	9.4%	Watertown	3.7%	6.4%
Everett	5.7%	8.8%	Wilmington	4.5%	7.9%
Lexington	3.6%	6.0%	Winchester	3.6%	6.1%
Malden	5.3%	8.2%	Woburn	4.7%	8.2%
Medford	4.7%	7.8%	Average of All	4.4%	7.2%

Source: Massachusetts Executive Office of Labor and Workforce Development- (www.mass.gov);
Data not seasonally adjusted

Table 5 reveals the increase in unemployment in each assessment area municipality from 2008 to 2009. The Massachusetts unemployment rate also increased from 5.3 percent in 2008 to 8.4 percent in 2009. The Cities of Chelsea and Everett and the Town of Saugus experienced unemployment rates above the Massachusetts rate in 2009, with Chelsea experiencing the highest rate at 9.4 percent. These numbers reflect signs of difficult economic conditions during the evaluation period and suggest small business lending opportunities may be limited as more individuals have been unable to find employment.

Business Demographics

Data obtained from *Dun & Bradstreet* for 2008 shows that there were 79,704 non-farm businesses in the assessment area, of which 65.6 percent had gross annual revenues (GARs) of \$1 million or less; 6.2 percent had GARs greater than \$1 million; and the remaining 28.2 percent had unknown revenues. The 2009 *Dun & Bradstreet* data indicates there were 85,188 businesses in the assessment area, 74.0 percent of which had GARs of \$1 million or less, 5.8 percent had GARs greater than \$1 million, and the remaining 20.2 percent did not report revenues

The data further indicates that of the total number of non-farm businesses in the assessment area in 2008, 2.9 percent were in low-income, 25.2 percent in moderate-income, 47.1 percent in middle-income, and 24.8 percent in upper-income Census tracts. In 2009, 2.8 percent were in low-income, 25.0 percent in moderate-, 47.2 percent in middle-, and 25.0 percent in upper-income Census tracts.

Community Contact

As part of the evaluation process, a third-party, active in community affairs, is contacted to assist in assessing the housing and business needs of the Bank's assessment area. Relevant information from this practice assists in determining whether local financial institutions are responsive to the credit needs of the community, and what further opportunities, if any, are available.

An interview was conducted with a local non-profit organization in Cambridge, Massachusetts. This organization is dedicated to assisting homeless and near homeless families and individuals with the startup costs of renting an apartment and avoiding eviction. The contact specifically mentioned that the local banks, including Central Bank, were very active in the community and contributed to the organization's efforts by assisting with fundraisers.

Another contact was made with a community organization located in Malden. The organization provides credit counseling and support services. The contact also stated Central Bank was very active in the community.

PERFORMANCE CRITERIA

LENDING TEST

Central Bank's lending performance demonstrates good responsiveness to the credit needs of the assessment area.

LOAN-TO-DEPOSIT ANALYSIS

This performance criterion determines the percentage of the Bank's deposit base that is reinvested in the form of loans, and evaluates its appropriateness. The Bank's average LTD ratio was 128.8 percent through March 31, 2010 and is considered more than reasonable given the institution's size, resources, business strategy, and assessment area credit needs.

The average LTD ratio was calculated by averaging the Bank's 12 quarterly LTD ratios since the previous FDIC CRA examination, dated May 3, 2007. The Bank's quarterly LTD ratio ranged from a low of 121.1 percent as of June 30, 2007, to a high of 135.1 percent as of December 31, 2009.

A comparison to five similarly situated institutions in terms of loan portfolio composition and total assets revealed that the Bank's ratio (128.8 percent) is the highest of these institutions. The Bank's net loans increased by 0.8 percent since June 30, 2007, while its total deposits decreased by 9.3 percent.

The Bank's LTD ratio was also impacted by its sale of fixed-rate residential mortgages in the secondary market. As mentioned previously, the Bank sold 252 loans totaling \$64 million during the evaluation period.

ASSESSMENT AREA CONCENTRATION

A review of the Bank's performance in originating loans within its assessment area was completed. Overall, the Bank originated a majority of its home mortgage and small business loans within its assessment area. Table 6 depicts the concentration of home mortgage and small business loans inside and outside of the assessment area by the number of originations and dollar amount.

Table 6 – Distribution of Loans Inside and Outside of Combined Assessment Area										
Loan Category or Type by Year	Number					Dollar Volume				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$(000)	%	\$(000)	%	\$(000)
Home Purchase	37	57.8	27	42.2	64	11,713	54.8	9,658	45.2	21,371
Refinance	35	74.5	12	25.5	47	13,236	78.0	3,743	22.0	16,979
Home Improvement	26	92.9	2	7.1	28	18,453	95.1	959	4.9	19,412
2008 Total	98	70.5	41	29.5	139	43,402	75.1	14,360	24.9	57,762
Home Purchase	26	49.1	27	50.9	53	7,497	39.7	11,392	60.3	18,889
Refinance	130	56.8	99	43.2	229	57,017	52.3	51,992	47.7	109,009
Home Improvement	20	64.5	11	35.5	31	6,195	70.7	2,562	29.3	8,757
2009 Total	176	56.2	137	43.8	313	70,709	51.7	65,946	48.3	136,655
Total Home Loans	274	60.6	178	39.4	452	114,111	58.7	80,306	41.3	194,417
Small Business 2008	15	75.0	5	25.0	20	3,984	63.7	2,267	36.3	6,251
Small Business 2009	11	84.6	2	15.4	13	1,646	77.8	470	22.2	2,116
Total Small Business	26	78.8	7	21.2	33	5,630	67.3	2,737	32.7	8,367
Grand Total	300	61.9	185	38.1	485	119,741	59.0	83,043	41.0	202,784

Source: 2008 & 2009 HMDA LARs and 2008 & 2009 Small Business Loan Registers

Home Mortgage Loans

The Bank originated 60.6 percent of its home mortgage loans by number and 58.7 percent by dollar volume within its assessment area during the evaluation period. The Bank's performance decreased in 2009, as the percentage of loans inside the assessment area went from 70.5 percent in 2008 to 56.2 percent in 2009. Management indicated that the decrease was attributed to the decision to target jumbo residential mortgages to its portfolio in 2009. Market opportunities for these jumbo loans increased the Bank's lending activity in municipalities just outside of the assessment area.

As noted previously, the Bank operates in a highly competitive market for home mortgage loans. In 2008, 453 institutions made home mortgage loans in the Bank's assessment area. Central Bank achieved a market rank of 61st. Analysis of the market ranks revealed that most of the banks with higher market shares were larger, based on asset size.

Small Business Loans

The Bank originated 78.8 percent of its small business loans by number and 67.3 percent by dollar volume within its assessment area during the review period. This percentage is considered good in light of the level of competition within the assessment area.

It should also be noted that given the composition of the Bank's loan portfolio, greater emphasis was placed on the Bank's residential lending performance.

DISTRIBUTION OF CREDIT AMONG BORROWERS OF DIFFERENT INCOME LEVELS

The distribution of loans was reviewed to determine the extent to which the Bank is meeting the credit needs of the assessment area, with emphasis on low- and moderate-income borrowers and small businesses. Overall, the distribution of loans to borrowers of different incomes reflects excellent penetration.

Home Mortgage Loans

Table 7 depicts the distribution of home mortgage loans by borrower income level and compared the Bank's performance to the aggregate data and the distribution of families. As noted, the Bank's performance in making home mortgage loans to low- and moderate-income borrowers is excellent.

Table 7 – Distribution of Home Mortgage Loans by Borrower Income Level							
Borrower Income Level	% of Total Families	2008 Aggregate Lending Data		2008 Bank Data			
		% of #	% of \$	#	%	\$	%
Low	22.7	4.7	2.0	18	18.4	2,446	5.6
Moderate	18.4	16.4	10.9	19	19.4	3,745	8.6
Middle	22.2	23.9	20.1	11	11.2	3,394	7.8
Upper	36.7	37.8	45.0	22	22.4	7,059	16.3
Income Not Available	0.0	17.2	22.0	28	28.6	26,758	61.7
Total	100.0	100.0	100.0	98	100.0	43,402	100.0

Source: 2000 U.S. Census, 2008 Aggregate HMDA Data, 2008 HMDA LAR

The Bank's percentage of home mortgage loans to low-income borrowers, at 18.4 percent, significantly surpassed the aggregate percentage. While the Bank's percentage of loans to low-income individuals was slightly less than the percentage of low-income families, at 22.7 percent, Central Bank performed quite well. It was not expected that the Bank would match the percentage of low-income families. As discussed within the *Description of Assessment Area*, 25.9 percent of the assessment area's low-income families are below the poverty level and would not likely qualify for a home mortgage loan.

The Bank's strong performance in lending to low-income borrowers in the assessment area is further highlighted by the 2008 market share report. The Bank ranked 18th and substantially exceeded its overall rank of 61st. Additionally, only three community banks had higher market ranks, but each was larger in terms of asset size. The vast majority of the higher ranked financial institutions are large national or regional banks or mortgage companies. Furthermore, the 2008 market share report revealed that the Bank's percentage of loans to low-income borrowers, at 18.4 percent, was the 4th highest among the top 100 home mortgage lenders in the assessment area.

The Bank's percentage of home mortgage loans to moderate-income borrowers, at 19.4 percent, also exceeded the aggregate data and the percentage of moderate-income families in the assessment area. Given the highly competitive nature of the assessment area, the Bank's performance is noteworthy.

The Bank's home mortgage loan data for 2009 revealed a slight decrease in performance. The decline was attributed to local economic conditions. However, despite the slight decline in performance, the Bank still outperformed the aggregate to low-income borrowers and was comparable to the aggregate with respect to moderate-income borrowers.

The Bank's strong performance in 2008, as compared to the aggregate data, revealed Central Bank as a leader in providing home mortgage financing to low- and moderate-income borrowers in the assessment area.

As the data reflects, the Bank strives to meet the lending needs of its assessment area. To assist with in this effort, the Bank offers several flexible loan programs. While each is not specifically targeted to low- and moderate-income borrowers, the flexible lending criteria allow low- and moderate-income borrowers a greater opportunity to obtain a loan, especially in light of the cost of housing in the area. The following are some of the flexible lending programs:

Fannie Mae

As a critical part of FNMA's "Making Home Affordable Program" is the Home Affordable Refinance Program (HARP). This program offers refinances of existing FNMA loans. The goal is "to provide access to low-cost refinancing for responsible homeowners suffering from falling home prices." The program reduces the borrower's monthly principal and interest payments and/or moves them to a less risky loan product. The program provides mortgage refinances for current Loan to Values up to 125 percent, and mortgage insurance flexibilities. This program became available in 2009. The Bank originated 2 loans totaling \$593,500 in 2009, and 4 loans totaling \$748,000 in 2010.

Massachusetts Housing Authority (MassHousing) Mass Advantage Program

The Bank provides below market rates with flexible underwriting guidelines through this program. Borrowers must meet general eligibility guidelines, and all mortgages involving down payments of less than 20 percent of the home purchase price must have mortgage insurance, provided by MassHousing's Mortgage Insurance Fund (MIF). Under this program, a borrower can purchase a home and cover the costs of rehabilitation. During the examination period the Bank originated two loans for \$499,800 in 2007, 2 loans totaling \$354,500 in 2008, and 4 loans totaling \$1,203,380 in 2009.

Central Bank First Time Home Buyer Program (5/1 First Time Homebuyer)

Borrowers who have not owned property in the past three years and are purchasing a 1-4 family owner-occupied dwelling are eligible for the Bank's first time home buyer loan product. Maximum loan-to-value percentages for 1-2 family and 3-4 family properties are 95 percent and 90 percent, respectively. Private mortgage insurance is required when the loan-to-value ratio exceeds 80 percent. The maximum sales price of the property is limited to \$300,000. The interest rate is fixed for the first 5 years and is then adjusted annually with annual and lifetime caps in place. Flexible underwriting ratios and reduced closing costs are utilized to address the needs of many first time homebuyers, including low- and moderate-income applicants. If borrowers qualify as low- or moderate-income and reside within the assessment area, no private mortgage insurance is required when the loan-to-value ratio is 85 percent or less, and closing costs are waived. The Bank originated 1 loan totaling \$212,000 in 2007.

Massachusetts Housing Partnership (MHP) Soft Second

This program is a joint initiative of the public and private sectors to increase affordable housing opportunities for low- and moderate-income homebuyers in Massachusetts by combining a conventional first mortgage with a subsidized second mortgage.

1st Mortgage – During the examination period in 2007, the Bank originated 3 loans totaling \$476,452 through the Soft Second 1st Mortgage program. In 2008, the Bank 4 loans totaling \$515,760. In 2009, the Bank originated 2 loans totaling \$176,000 through the program.

2nd Mortgage – During the examination period in 2007, the Bank originated 3 loans totaling \$134,120 through the Soft Second 2nd Mortgage program. In 2008, the Bank originated 4 loans totaling \$146,300 and in 2009, the Bank originated 2 loans totaling \$49,000 through the program.

Section 8 – During the examination period in 2007, the Bank originated 1 loan in the amount of \$118,125 through the Soft Second 1st Mortgage Section 8 program. Additionally in 2007, the Bank originated 1 loan for \$31,500 through the Soft Second 2nd Mortgage Section 8 program.

Loan Modifications

During 2009 and 2010, the Bank performed 7 modifications on residential mortgage loans; offering temporary and permanent rate reductions, at no cost, to assist borrowers whom have fallen behind on mortgage payments.

Small Business Data

The distribution of borrowers for small business loans reflects reasonable penetration among businesses of different sizes. Table 8 details the Bank's distribution of small business loans in 2008 and 2009 by gross annual revenue (GAR). For comparison purposes, the table also includes the percentage of businesses in the assessment area by GAR category.

Table 8 – 2008-2009 Distribution of Business Loans by Revenue					
Gross Annual Revenue	Bank Loans				Distribution of Businesses
2008	#	%	\$(000's)	%	%
≤ \$1 million	9	60.0	3,126	78.5	65.6
> \$1 million	6	40.0	858	21.5	6.2
Revenue not reported	0	0.0	0	0.0	28.2
Total	15	100.0	3,984	100.0	100.0
2009	#	%	\$(000's)	%	%
Under \$1 million	6	54.5	1,116	67.8	74.0
Over \$ 1 million	5	45.5	530	32.2	5.8
Revenue not reported	0	0.0	0	0.0	20.2
Total	11	100.0	1,646	100.0	100.0

Source: 2008 and 2009 Small Business Loan Registers and 2008 and 2009 D&B data

As shown in Table 8, the Bank's percentage of lending to businesses with GARs of \$1 million or less by number of loans was 60.0 percent in 2008 and 54.5 percent in 2009. The Bank's performance in each year was lower than the distribution of businesses in the assessment area. As a majority of loans were originated to small businesses with GARs under \$1 million, the Bank is meeting the credit needs of smaller businesses in its assessment area.

Table 9 reflects an analysis of the Bank's small business lending performance based on loan size, as the size of the loan is used as a proxy for the size of the business being served by the institution.

Table 9 – Distribution of Small Business Loans by Loan Size		
Loan Size (000s)	2008	
	#	%
≤ \$100	5	33.3
≤ \$250	5	33.3
< \$1,000	5	33.3
Total	15	100.0
Loan Size (000s)	2009	
	#	%
≤ \$100	4	36.4
≤ \$250	6	54.5
< \$1,000	1	9.1
Total	11	100.0

Source: 2008 and 2009 Small Business Loan Registers

Table 9 indicates that of the 15 loans originated within the assessment area in 2008, approximately 67 percent were made in amounts less than or equal to \$250,000. Despite the declining economic conditions in 2009, the Bank improved its percentage and originated almost 91 percent of its loans in amounts of \$250,000 or less. This trend is positive and considered quite good in light of the competitive nature of the area. It also indicates the Bank's desire to meet the credit needs of small businesses within its assessment area.

GEOGRAPHIC DISTRIBUTION

This criterion evaluates the distribution of the Bank's loans within the assessment area by Census tract income level, with emphasis on lending in low- and moderate-income Census tracts. Overall, the geographic distribution of home mortgage and small business loans reflects reasonable dispersion throughout the assessment area. While the overall performance in this criterion is deemed reasonable, the level of home mortgage and small business lending in the moderate-income tracts of the assessment area was strong.

Home Mortgage Loans

The geographic distribution of the Bank's home mortgage loans reflects reasonable distribution throughout the assessment area. The Bank performed well in lending to moderate-income Census tracts. However, a significant number of Census tracts in the assessment area (134 out of 199) experienced no home mortgage loan activity.

Table 10 depicts the distribution of the Bank's home mortgage loans in 2008 by number of originations compared to 2008 aggregate lending data, as well as the distribution of owner-occupied housing units by the income level of Census tracts.

Table 10 – Distribution of Home Mortgage Loans by Income Category of Census Tract							
Census Tract Income Level	% of Owner-Occupied Housing Units	2008 Aggregate Lending Data		2008 Bank Data			
		% of #	% of \$	#	%	\$	%
Low	0.7	1.0	0.8	2	2.0	342	0.8
Moderate	21.9	24.5	21.0	34	34.7	19,084	44.0
Middle	52.0	49.8	44.7	52	53.1	17,068	39.3
Upper	25.4	24.7	33.5	10	10.2	6,908	15.9
Total	100.0	100.0	100.0	98	100.0	43,402	100.0

Source: 2000 U.S. Census, 2008 Aggregate HMDA Data, 2008 HMDA LAR

Table 10 reveals that the Bank originated 2 home mortgage loans (2.0 percent) in 2008 in the 6 low-income tracts of the assessment area. The aggregate market originated only 1.0 percent of home mortgage loans in the same low-income tracts. The Bank's performance is slightly above the aggregate market. Table 10 also reveals only 0.7 percent of owner-occupied housing units in the assessment area are located in the low-income tracts, underscoring the limited opportunities to lend in these geographies.

Providing further insight into the lending opportunities that exist within the area's low-income tracts, 2000 U.S. Census Data indicates the vast majority of housing units within low-income tracts are rental, with only 15.4 percent owner-occupied. This percentage is substantially lower than the full assessment area, which has almost 50 percent of total housing units as owner-occupied. Furthermore, 29.3 percent of families who reside in the area's low-income tracts have incomes below the poverty level.

The highly competitive market conditions within the assessment area also impacted the Bank's ability to make home mortgages in these areas. The 2008 market share report indicates only 331 total loans were made in the area's low-income tracts, with the vast majority originated by large national banks and mortgage companies. The report indicates that only 3 community banks originated more than 2 home mortgage loans in the area's low-income tracts. This data suggests that limited opportunities exist to lend in these low-income geographies.

In 2009, the Bank did not originate any home mortgage loans in the area's low-income tracts. While this represents a decline in the Bank's performance compared to 2008, the performance is mitigated by the limited lending opportunities. Based on the performance context of the assessment area, the aggregate market's performance, and the low number of owner-occupied housing units, the Bank's overall performance in lending to low-income tracts is satisfactory.

As reflected in Table 10, of the 98 home mortgage loans originated by the Bank in 2008, 34.7 percent were in moderate-income geographies. This percentage is well above both the aggregate percentage (24.5 percent) and the percentage of owner-occupied units located in moderate-income tracts (21.9 percent). As in the low-income geographies, the majority of housing units within moderate-income geographies are rental units, with 33.6 percent owner-occupied. The 2008 market share report revealed the Bank ranked 45th among assessment area home mortgage lenders in number of loans originated in moderate-income tracts. The Bank's concentration of 34.7 percent of loans made in moderate-income geographies exceeded all but 2 of the 18 community banking institutions among the top 80 lenders in the assessment area.

In 2009, the Bank's performance declined slightly, with 31.3 percent of loans made in moderate-income geographies. This percentage, however, remained above the percentage of owner-occupied housing units.

An analysis was also conducted to determine the level of the Bank's lending among all Census tracts within the assessment area. In 2008, the Bank originated at least one home mortgage loan in 65 of the 199 census tracts in its assessment area. A loan was made in 1 of the 6 low-income tracts; 21 of the 58 moderate-income tracts; 37 of the 92 middle-income census tracts; and 6 of the 43 upper-income tracts. In 2009, the Bank originated a home mortgage loan in 92 of the 199 assessment area Census tracts. No loans were made in the 6 low-income tracts; however, loans were made in 26 of the 58 moderate-income tracts; 46 of the 92 middle-income tracts; and 20 of the 43 upper-income tracts. While an institution is not expected to lend in each Census tract, the dispersion of loans during the evaluation period revealed the Bank did not make any home mortgage loans in a majority of the assessment area Census tracts.

Small Business Loans

The distribution of the Bank's small business loans reflects reasonable dispersion throughout the assessment area. Table 11 reflects the distribution of small business loans by Census tract income level for 2008 and 2009. The percentage of businesses located within each Census tract income category for each year is also included for comparison purposes.

Table 11 – Distribution of Small Business Loans by Income Category of Census Tract										
Census Tract Income Level	% Total Businesses		2008 Bank Data				2009 Bank Data			
	2008	2009	#	%	\$(000s)	%	#	%	\$(000)	%
Low	2.9	2.8	2	13.3	875	22.0	0	0.0	0	0.0
Moderate	25.2	25.0	5	33.3	1,690	42.4	6	54.5	1,030	62.6
Middle	47.1	47.2	8	53.4	1,419	35.6	6	45.5	616	37.4
Upper	24.8	25.0	0	0.0	0	0.0	0	0.0	0	0.0
Total	100.0	100.0	15	100.0	3,984	100.0	11	100.0	1,646	100.0

Source: 2008 and 2009 Small Business Loan Registers and 2008 and 2009 D&B data

Table 11 reveals that the Bank originated 2 small business loans (13.3 percent) in the area's low-income tracts in 2008. The Bank did not make any loans in low-income tracts in 2009. As indicated in Table 11, fewer than 3.0 percent of the area's businesses were located in low-income tracts in 2008 and 2009, suggesting limited lending opportunities in these areas.

The Bank originated 33.3 percent and 54.5 percent of its small business loans in moderate-income geographies in 2008 and 2009, respectively. The Bank's performance exceeded the percentage of businesses located in moderate-income tracts for each year.

RESPONSE TO CRA COMPLAINTS

The Bank did not receive any CRA-related complaints during the evaluation period. However, the Bank does have written procedures to handle complaints, if received.

COMMUNITY DEVELOPMENT TEST

The Community Development Test evaluates the Bank's responsiveness to the community development needs of its assessment area through the provision of community development loans, qualified investments, and community development services as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area(s). The Bank's community development performance demonstrates an adequate responsiveness to the community development needs of its assessment area.

COMMUNITY DEVELOPMENT LOANS

As defined in the CRA regulation, a community development loan has as its primary purpose: affordable housing for low- and moderate-income individuals, community services targeted to low- and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, or activities that revitalize or stabilize low- and moderate-income geographies. In addition, unless for a multifamily dwelling (five or more units), the loan must not be reported as a home mortgage or small business loan.

During the previous evaluation period, the Bank originated one community development loan and made one equity investment in a revolving loan fund. The Bank received \$6.2 million in community development lending credit.

The economic conditions within the assessment area, including the overall slowdown in the housing market lessened the opportunities for community development lending. The Bank made no community development loans during the current evaluation period. However, the institution received lending credit/consideration for its pro-rata share of lending activity from its involvement in the Boston Community Loan Fund. The following is a brief summary.

Boston Community Loan Fund (BCLF) - \$4.5 million

The BCLF is a non-profit organization that finances community development projects in low-income communities. The projects include low-income housing, low-income day care facilities, after school programs, homeless shelters, and healthcare clinics. In March of 2005, the Bank invested \$1,000,000 in the BCLF to support these initiatives. The CRA allows for recognition of the investing institution's pro rata share of the fund's aimed at lending activities. The Bank's pro rata share of the community development loans made by the BCLF totaled \$125,775 in the first two quarters of 2007; \$2.6 million and \$1.7 million for full years 2008 and 2009, respectively; and \$57,939 for the first quarter of 2010.

COMMUNITY DEVELOPMENT INVESTMENTS

A qualified investment is defined as a lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

The institution's investment performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; and, 4) the degree to which the qualified investments are not routinely provided by private investors. Per the regulation, qualified investments considered in this evaluation include all those acquired or made since the previous CRA examination as well as those made prior and still held by the institution, which are still outstanding and carried on the Bank's balance sheet.

The Bank has an adequate level of qualified community development investments and grants exhibiting a reasonable responsiveness to credit and community economic development needs. The Bank's qualified investments for the evaluation period, including qualified equity investments and qualified grants, totaled approximately \$2.6 million.

Qualified Equity Investments

The Bank's qualified equity investments total \$2,370,000, this includes one new equity investment as well as an investment held on the Bank's books. This level represents a decline since the previous evaluation when qualified equity investments totaled almost \$4.2 million. The following details the Bank's investments.

FNMA Mortgage Backed Security

In June of 2008, the Bank purchased a FannieMae (FNMA) security in the amount of \$1.37 million; the underlying loans were originated to low- and moderate-income borrowers and benefited the Bank's assessment area.

Boston Community Loan Fund

In March of 2005, Central Bank made a \$1 million investment in the BCLF. The full amount of the investment is still held on the Bank's balance sheet.

Qualified Grants and Donations

Overall, the Bank has a good level of grant and investment activity. During the CRA evaluation period, the Bank provided 127 qualified contributions totaling \$187,612.

In 2007 and 2008, the Bank provided a high level of contributions. For partial year 2007, donations represented 1.8 percent of the Bank's pre-tax net operating income. As a result of the Bank's negative pre-tax net operating income in 2008, the Bank significantly reduced the level of contributions in 2009. In 2009, the reduced level of contributions totaled 0.2 percent of the pre-tax net operating income. In 2010, the Bank resumed its community contributions; in the first quarter of 2010, the Bank's donations totaled 2.1 percent of pre-tax net operating income.

Table 12 displays the total number and dollar amount of the Bank's CRA qualified donations and grants. The table breaks out contributions according to the organizations' purpose, including those that provide services for low- and moderate-income individuals, promote affordable homeownership, support small business or economic development, and revitalize low- and moderate-income areas.

Table 12 – Community Development Grants & Donations										
Community Development Category	2007 (Apr - Dec)		2008		2009		2010 YTD		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$
Affordable Housing for Low- and Moderate-Income	8	18,300	11	18,300	1	340	2	1,500	22	38,440
Community Services Targeted to Low- and Moderate-Income	41	64,240	41	59,460	4	2,372	15	13,600	101	139,672
Promote Economic Development										
Revitalize Low- and Moderate-Income Areas	-	-	2	7,500	-	-	2	2,000	4	9,500
Total	49	82,540	54	85,260	5	2,712	19	17,100	127	187,612

Source: Bank data

The Bank provides the majority of grants and donations to community services targeted to low- and moderate-income individuals. The Bank's commitment to meeting the community development needs of its assessment area is evidenced by the high percentage qualified donations.

The following is a sample of recipients of the Bank's contribution efforts:

Consumer Credit Counseling Service of Southern New England

A HUD-approved housing counseling agency, this non-profit service agency is the leading provider of financial counseling, financial education, debt management programs and housing counseling in the tri-state area. The agency provides personalized, confidential financial advice and education about debt, credit, money management, budgeting and housing issues. The majority of the clients served are low- or moderate-income.

Homeowner Options for Massachusetts Elders (H.O.M.E.)

The non-profit agency H.O.M.E. is dedicated to protecting the equity of low- and moderate-income elder homeowners. H.O.M.E.'s mission is to conserve and protect the equity of low- or moderate-income elder homeowners so they can "age in place." The agency provides critical prevention and intervention services for aging lower income homeowners in the northern suburbs of Boston and greater Somerville and Cambridge.

Scholarship Program

The Bank offers scholarships to assist qualifying students from low-income families graduating from Somerville High School.

Somerville Homeless Coalition, Inc.

The organization's mission is to provide low- and moderate-income individuals and families with personalized supportive services and tailored housing solutions. The Bank's support helps fund the organization's family and adult shelters, operate the food pantries and community meals, and provide permanent supportive housing to formerly homeless men, women, and children.

Somerville Community Corporation

The non-profit organization's primary focus is to maintain and preserve Somerville as an affordable and diverse community. The organization develops affordable housing, is involved in community planning and policy work, offers financial education and counseling programs, and helps clients achieve greater financial self-sufficiency. The Bank's contributions support the organization's Individual Development Account (IDA) Program which provides match savings for the low-income individuals who utilize their IDA savings to pursue higher education opportunities.

Woburn Council of Social Concern (WCSC)

WCSC is a private non-profit human services agency that offers affordable center-based child care; resource and referral information; supplemental and emergency food assistance; and family skill building education and support.

YWCA Malden

The YWCA Malden is a community-based group which creates unique programs that help Malden's low- and moderate-income and at-risk populations. The Bank's contributions support the group's Women's Economic Advancement Program which includes financial education, tax preparation, and credit counseling.

Community Developments Services

A community development service has community development as its primary purpose and is generally related to the provision of financial services or technical services or assistance. Central Bank's community development performance demonstrates an excellent responsiveness to the community development needs of its assessment area.

Bank personnel provide the organizations with financial and management expertise while serving as directors, officers, committee members, and volunteers. Additionally, the Bank, through its community development service activities has been successful in developing lending relationships as well as community development investment support with many of these same organizations.

The following are several of the organizations to which Central Bank's employees lend their financial and technical expertise to benefit the assessment area.

CYBER CAFÉ at TRICAP

Located in Malden, the mission of the Cyber Café is to provide lower income, ethnically diverse, newly arrived, elderly and/or disabled community residents with access to computers and technology. An Assistant Branch Manager assists clients in basic banking needs and filing taxes.

Newton Community Partnerships for Children

Community Partnerships for Children is a grant program from the Department of Early Education and Care. The program provides financial assistance to low- and moderate-income families and offers professional development opportunities to early childhood educators in the community as well as accreditation support. A branch manager of the Bank's Chestnut Hill branch is a member of the council.

Somerville Homeless Coalition (SHC)

SHC provides housing and an array of support services to the homeless, including homeless shelters and food management services. SHC is also an innovator in the area of "Housing First." These housing programs involve homeless prevention and provide affordable housing with home-based supportive services to the most at-risk homeless individuals and families in the Somerville community. A Bank Vice President serves on the Board of this organization.

Springwell, Inc. and the Cambridge-Somerville Elder Services

Various Bank employees assist with the money management programs at these two organizations. Employees volunteer as bill payers and provide ongoing direct service in preparation of bill paying and budgeting and basic checkbook balancing. This service enables the low-income, disabled, or elderly to prolong their independence.

Somerville Cambridge Elder Services

Somerville-Cambridge Elder Services promotes the right of all individuals to live with dignity, in the setting of their choice by offering older people, younger people with disabilities, and caregivers the information, services and support needed to make choices which enhance health, well being and independence. Several Bank employees, including an assistant branch manager from the Bank's Somerville branch, are volunteers for the Money Management Program in which they assist low-income elders with bill-paying, reconciling bank statements, bank errands, and managing their money.

Minuteman Senior Services

Minuteman Senior Services provides help to low-income elders to keep them in their own homes for as long as possible. Several Bank employees, including branch managers and assistant branch managers from the Bank's Arlington, Burlington and Woburn branches, participate in the Money Management Program at this organization.

Educational Services

FDIC's Money Smart

The Bank participates and presents the FDIC's Money Smart curriculum. Money Smart, a comprehensive financial education curriculum, is designed to help individuals outside the financial mainstream enhance their financial skills and create positive banking relationships. The Bank presented at workshops in conjunction with Eagle Heights Church in Revere in 2007 and Tri-City Community Action Program, Inc. (Tri-CAP), located in Malden, in 2008.

YWCA Malden Economic Advancement

The Bank participates in the YWCA of Malden educational programs and free financial planning workshops that teach basic budget, credit and investment principles. The Bank presented at two classes in 2007, one class in 2008, and three in 2010.

Financial Literacy Classes

The Bank participated in a number of local area financial literacy classes targeted to low- and moderate- individuals; the classes covered a broad range of financial topics including budgeting, saving, avoiding predatory lending, building credit, and taxes. In March, May and June of 2008, the Bank participated in classes in conjunction with Chelsea Neighborhood Developers Group, Forestdale After School Program (Malden), The Boston Alliance for Economic Inclusion/FDIC Community Affairs Group, and West Medford Senior Group.

Foreclosure Seminars

The Bank participates in presentations or classes throughout the assessment area which address foreclosure prevention as well as related topics such as avoiding scams. The Bank presented to low- and moderate- income individuals at the Massachusetts Foreclosure Forum in 2007 and to the West Medford Senior Group in 2007 and 2009.

Homebuyer Seminars

In 2007, the Bank participated in the Self Sufficiency Luncheon Program at the Somerville Housing Authority. The seminar educated participants on affordable housing, the Section 8 Soft Second Program, and saving for first-time homebuyers. In 2008, the Bank participated in 2 homebuyer seminars conducted by the Tri-City Group which focused on budgeting and saving for first-time homebuyers who are preparing to buy homes in the Malden affordable housing lottery.

Savings Makes "Cents"

The Bank's Savings Makes "Cents" account is an interest bearing passbook savings account designed especially for students in grades 3-6 who are participating the State Treasurer's Office program at designated schools. There are no minimum balances and no monthly service charges. The account teaches children the value of saving money.

COMPLIANCE WITH ANTI-DISCRIMINATION LAWS AND REGULATIONS

A significant violation of the Federal Reserve Board's Regulation B – Equal Credit Opportunity (ECOA) was identified during the concurrent compliance examination of the Bank. The violation was substantive; however, the Bank's overall CRA rating was not negatively impacted.

APPENDIX A

Fair Lending Policies and Procedures

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 2.3-101.

A review of the Bank's public comment file indicated that the Bank received no complaints pertaining to the institution's CRA performance since the previous examination.

Within the Bank's loan and compliance policies, fair lending and fair housing are addressed. The Board reviews and approves these policies annually. The Bank regularly provides fair lending training to employees through web-based modules as well as industry sponsored training and seminars.

Among the institutions staff are individuals who are bilingual in English, Spanish, Italian, Hindi, Kannada, Portuguese, Creole, French, Armenian, Russian, Polish, Bulgarian, Chinese, Cantonese, Thai, German, Bengali and Arabic.

MINORITY APPLICATION FLOW

A review of residential loan applications was conducted in order to determine the number of HMDA-reportable credit applications table he Bank received from minority applicants. The Bank's minority application flow for this period was compared with the racial and ethnic composition of the assessment area and the 2008 aggregate data for all other HMDA reporters within the assessment area. The comparison of these data assists in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants. The Bank's performance was found to be reasonable.

According to the Census data, 20.6 percent of the assessment area's population are minorities. The breakout is as follows: 4.1 percent Black, 7.4 percent Asian, 0.1 percent American Indian/Alaskan, 6.2 percent Hispanic, and 2.8 percent reported race as "Other". According to the data, 8.54 percent of the population reported Ethnicity as Hispanic.

Table 13 MINORITY APPLICATION FLOW								
RACE	Bank 2008		2008 Aggregate Data		Bank 2009		Bank TOTAL	
	#	%	#	%	#	%	#	%
<i>American Indian/ Alaska Native</i>	0	0.0	87	0.2	1	0.4	1	0.2
<i>Asian</i>	9	6.0	3,336	7.3	14	5.0	23	5.4
<i>Black/ African American</i>	2	1.3	1,024	2.3	3	1.1	5	1.2
<i>Hawaiian/Pac Isl.</i>	0	0.0	111	0.2	1	0.4	1	0.2
<i>2 or more Minority</i>	0	0.0	27	0.1	0	0.0	0	0.0
<i>Joint Race (White/Minority)</i>	1	0.7	666	1.4	8	2.9	9	2.1
Total Minority	12	8.0	5,251	11.5	27	9.8	39	9.1
<i>White</i>	101	67.3	28,797	63.3	216	77.7	317	74.1
<i>Race Not Available</i>	37	24.7	11,429	25.1	35	12.5	72	16.8
Total	150	100.0	45,477	100.0	278	100.0	428	100.0
ETHNICITY								
<i>Hispanic or Latino</i>	0	0.0	1,995	4.4	4	1.5	4	0.9
<i>Not Hispanic or Latino</i>	110	73.3	31,641	69.6	238	85.6	348	81.3
<i>Joint (Hisp/Lat /Not Hisp/Lat)</i>	2	1.3	366	0.8	4	1.4	6	1.4
<i>Ethnicity Not Available</i>	38	25.3	11,475	25.2	32	11.5	70	16.4
Total	150	100.0%	45,477	100.0%	278	100.0%	428	100.0%

Source: US Census, HMDA LAR, HMDA Aggregate Data

As displayed above, the Bank received a lower percentage of applications from minority borrowers than that received by the 2008 aggregate. The Bank's performance improved in 2009, whereby 27 applications were taken. Of the 39 applications the Bank received, 20 resulted in originations, 8 were approved but not accepted, 3 were withdrawn and 8 were denied. This would indicate the Bank had a denial rate to minorities of approximately 1.9 percent, slightly below the 2008 aggregate's 2.1 percent.

APPENDIX B

General Definitions

GEOGRAPHY TERMS

Census Tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Metropolitan Area (MA): One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

Metropolitan Statistical Area (MSA): One or more metropolitan areas that have economic and social ties.

Primary Metropolitan Statistical Area (PMSA): A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

Consolidated Metropolitan Statistical Area (CMSA): The larger area of which PMSAs are component parts.

Non-Metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

HOUSING TERMS

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

INCOME TERMS

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Family Income: Includes the income of all members of a family that are age 15 and older.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

HUD Adjusted Income Data: The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

OTHER TERMS

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

Small Business Loan: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 399 Highland Avenue, Somerville, MA 02144."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.